

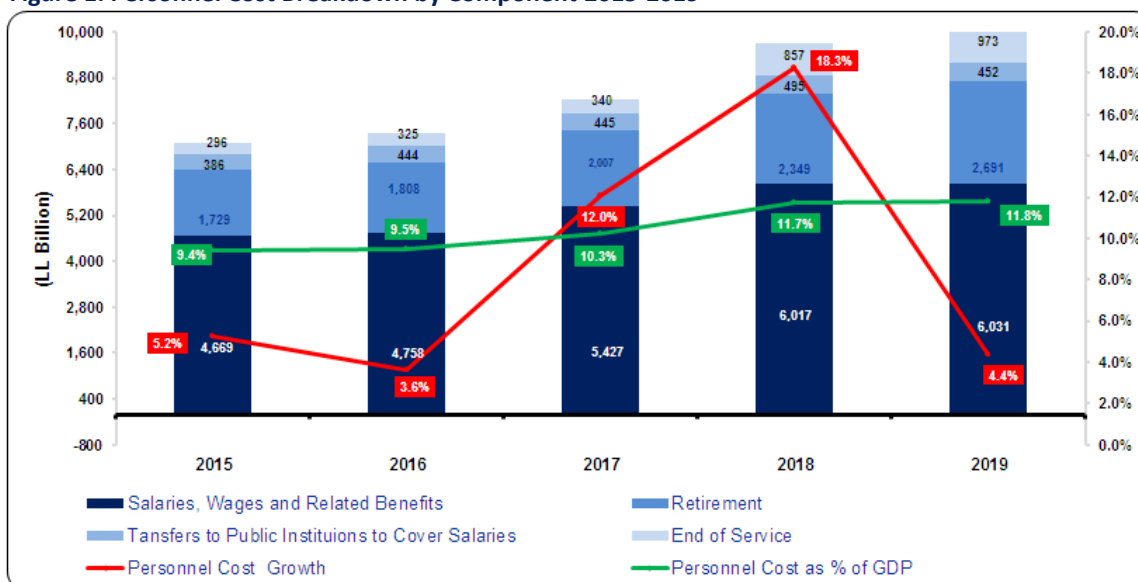
I. Personnel Cost

I.A. General Overview

Personnel cost¹ figures increased by LL 428 billion (4.4 percent) over the past year reaching LL 10,146 billion by the end of 2019 up from LL 9,719 billion in 2018². This increase in personnel cost was mirrored in most of its sub-components and mainly in payments related to retirement and end of service compensations. In details, salaries, wages and social benefits witnessed a minor increase of LL 14 billion (0.2 percent), meanwhile, retirement and end of service indemnities rose significantly by LL 342 billion (14.5 percent) and LL 115 billion (13.4 percent) respectively. In contrast, transfers to public institutions to cover salaries dropped by LL 43 billion (8.7 percent).

Personnel cost averaged 10.5 percent of GDP³ during the period of 2015-2019. The mentioned ratio increased gradually to reach 11.8 percent in 2019 up from 11.7 percent in 2018, and compared to 9.4 percent registered in 2015. This share increase was driven by the year-on-year growth rate of 4.4 percent in personnel cost during 2019 compared to a nominal GDP growth of 3.9 percent estimated for 2019. In parallel, personnel cost grew by a compound annual growth rate (CAGR) of 6.1% between 2012 and 2019 compared to a higher CAGR of 11.4 percent over the 2016-2019 period.

Figure 1. Personnel Cost Breakdown by Component 2015-2019



Source: Ministry of Finance, Directorate General of Finance

¹ Personnel cost includes payments for salaries, wages and social benefits, retirement, end of service indemnities, and transfers to public institutions to cover salaries.

² The figures used are those published in the Public Finance Monthly Monitor report –December 2019.

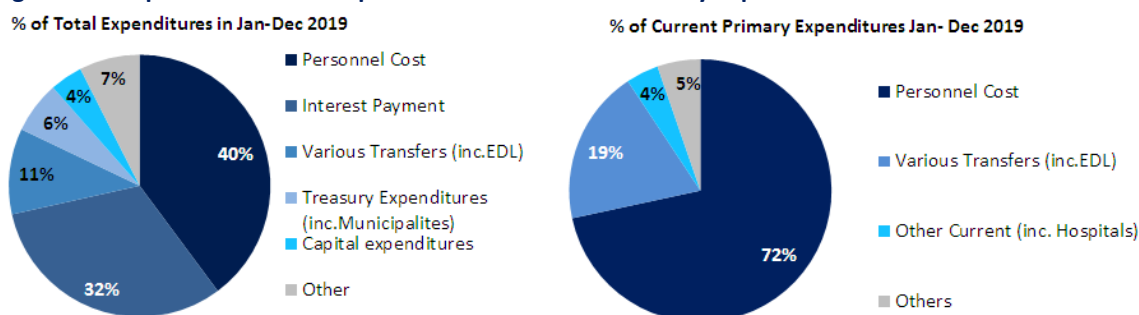
³ Gross Domestic Product is estimated at LL 86,077 billion in 2019 after adopting the nominal growth rate estimated by the International Monetary Fund's (IMF) for 2019 as per the World Economic Outlook (WEO) database - October 2019, and applying it to the official GDP figure for 2018 as published by the Central Administration for Statistics.

I.B. Share of Personnel Cost from Expenditures

Personnel cost constitutes the highest share of current primary expenditures⁴, contributing to 66.2 percent in Jan-Dec 2017, 66.1 percent in Jan-Dec 2018 and 71.6 percent in Jan-Dec 2019. Moreover, personnel cost represented 35.4 percent of total expenditures by the end of 2017, increasing to 36.2 percent of the total by end-2018, and rising further to 39.8 percent of total expenditures in 2019. This increase was due to a higher growth rate in the personnel cost⁵ during the covered period.

The following figures represent the composition of current primary expenditures and total expenditures in 2019:

Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Dec 2019



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include payments to hospitals, judgments and reconciliation, mission costs, accounting adjustments and external services.

II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased slightly by LL 14 billion (0.2 percent), from LL 6,017 billion in 2018 to LL 6,031 billion in 2019. Overall, this growth is mainly the result of (i) a LL 47 billion surge in salaries and wages to military personnel, (ii) a LL 95 billion growth in salaries and wages of education personnel, and (iii) an increase in “other payments” to government subscription and contributions in the government employees’ cooperative by LL 85 billion in the covered period. In contrast, allowances paid for military personnel dropped by LL 184 billion.

In details, the increase in salaries, wages and related benefits to the military personnel is attributed to a rise in the salaries and wages for all military bodies as follows: (i) LL 33 billion to the Army, (ii) LL 8 billion to the Internal Security Forces, (iii) LL 5 billion to State Security Forces, and (iv) LL 1 billion to the General Security Forces. In contrast, allowances paid to military personnel witnessed a significant drop of LL 184 billion, as allowances paid to all military bodies decreased as follows: the Internal Security Forces by LL 126 billion, the Army by LL 51 billion, the General Security Forces by LL 5 billion and the State Security Forces by LL 2 billion.

In terms of composition, salaries and wages accounted for 78.2 percent of total payments for salaries, wages and related benefits to public sector employees in full year 2019, followed by

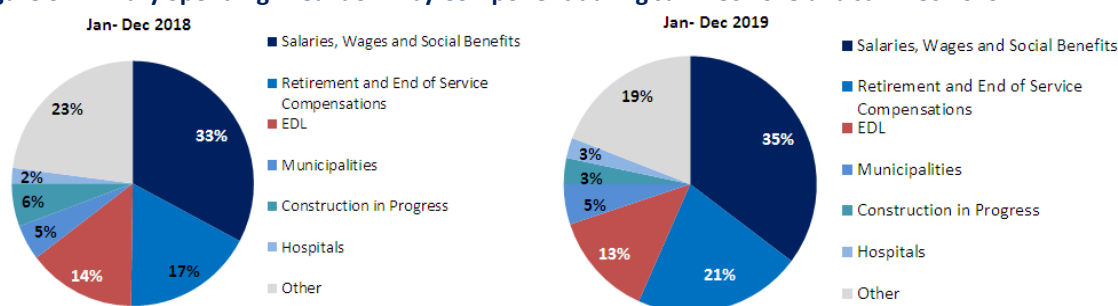
⁴ Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

⁵ Total expenditures decreased by 5.0 percent y-o-y during Jan-Dec 2019 compared to a 4.4 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

allowances (10.4 percent), and employment benefits (3.7 percent), while “other payments” and “unclassified allowances” represented the remaining 7.8 percent of the total. Compared to total primary spending, salaries, wages and related benefits increased from 32.8 percent in 2018 to 35.2 percent in 2019⁶.

The following figures present the primary spending breakdown by component during the period under review.

Figure 3. Primary Spending Breakdown by Component during Jan-Dec 2018 and Jan-Dec 2019



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include transfers to CDR, transfers to public institutions to cover salaries, contributions to non-public sectors, VAT refund, and medicaments.

Table 2. Salaries, Wages and Related Benefits Breakdown – Jan-Dec 2018 and Jan-Dec 2019

(LL billion)	Salaries and Wages		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Military Personnel	2,983	3,030	98	103	808	624	2	6	3,891	3,763
Army	1,944	1,976	63	67	443	392	0	1	2,450	2,436
Internal Security Forces	770	778	26	26	307	181	0	4	1,102	988
General Security Forces	206	208	5	5	40	36	1	1	252	249
State Security Forces	64	69	5	5	18	15	0	0	87	90
Education Personnel	1,075	1,170	69	63	0	0	37	27	1,181	1,259
Civilian Personnel 1/	518	514	62	56	3	3	53	41	636	615
Government contribution to employees cooperative 2/							249	333	249	333
Customs Salaries 3/									57	53
Unclassified									5	8
Total	4,577	4,714	229	222	811	627	340	407	6,017	6,031

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/Government contribution to employees' cooperative is provided to both the education and civil personnel. However, the allocation between the two types of personnel is not available and therefore is presented in a separate line item.

3/Includes salaries and wages and indemnities payment from guarantees account but excludes payments for allowances which are made from Customs Cashiers and can only be reclassified once Customs has sent the supporting documents to the Directorate General of Finance.

4/Includes payments for family, transportation, overtime as well as various indemnities (including committee compensation and tax returns).

5/Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances, and provided to military personnel only.

6/Amounts given to non-military bodies and includes (i) payments of bonuses, (ii) State contributions to the Mutual Funds covering Member of Parliaments, employees of the Lebanese University, judges, judges' aides and Islamic tribunal judges and (iii)

⁶ Due to a decrease in the expenditure base with primary expenditures dropping by 6.8 percent compared to a y-o-y growth of 0.2 percent in salaries, wages and related benefits.

State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civilian Servant Cooperative.

II.A. Salaries and Wages

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, increased by LL 138 billion (3.0 percent) to reach LL 4,714 billion in 2019. This was driven by a rise in salary payments for education and military personnel by LL 95 billion and LL 47 billion respectively, while salaries and wages to civilian personnel slightly decreased year-on-year by LL 4 billion.

II.A.a. Salaries and Wages of Military Personnel

The 1.6 percent increase in salaries and wages to military personnel during 2019 can be attributed to higher salary payments to the army by LL 33 billion (1.7 percent) - with basic salaries to the permanent personnel rising by LL 38 billion partly counterbalanced by the drop of LL 5 billion in payments for training aboard. Meanwhile, salaries and wages paid to the Internal Security Forces rose by LL 8 billion (1.1 percent) as basic salaries to permanent personnel increased by LL 8 billion, slightly offset by a drop of LL 1 billion in clothing indemnities. Additionally, salary payments for the State Security Forces increased by LL 5 billion (7.7 percent) - with basic salaries to the permanent personnel rising by LL 7 billion partly counterbalanced by the drop of LL 2 billion in salary payments for trainees. On the other hand, General Security Forces payments increased by LL 1 billion (0.7 percent) mainly due to higher clothing indemnities by LL 5 billion and transportation cost for personnel by LL 3 billion, which was slightly offset by the drop in basic salaries paid for both the trainees and the permanent personnel by LL 5 billion and LL 1 billion respectively.

II.A.b. Salaries and Wages of Education Personnel

Salaries and wages of education personnel grew by 8.8 percent year-on-year in 2019, reaching LL 1,170 billion compared to LL 1,075 billion in 2018. The increase was mainly due to payments for contractuels at the Directorate General of Vocational Training by LL 107 billion⁷, followed by an increase in salary payments for trainees and permanent employees at the secondary education by LL 22 billion and LL 15 billion respectively. Meanwhile, payments for contractuels at the primary and intermediate education increased by LL 9 billion. These rises were partly counterbalanced by a LL 52 billion decrease in salary payments for permanent employees at the primary education.

II.A.c. Salaries and Wages of Civilian Personnel

Salaries and wages of civilian personnel decreased slightly by LL 4 billion (0.8 percent) year-on-year to reach LL 514 billion in 2019. At the level of ministries, the Ministry of Foreign Affairs and Emigrants represented the largest wage bill during the covered period with a share of 18.2 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.0 percent and 11.8 percent. (For further details, kindly refer to table 2)

⁷ With an amount of LL 48 billion paid in January 2019 covering 30 percent of contractuels' fees related to the academic year 2017/2018 as per decisions #221, 222, 243 and 244 dated 21/12/2018, in addition to an amount of LL 152 billion paid in August 2019 covering 90 percent of contractuels' fees related to the academic year 2018/2019 as per decisions #97, 98, 99 and 100 dated 02/08/2019.

As for the change in nominal terms, the Ministry of Public health witnessed a significant drop of LL 15 billion (35.7 percent)⁸ in 2019, against an increase in salaries and wages for both the Ministry of Foreign Affairs and Emigrants by LL 9 billion (mainly due to an increase in salary payments for diplomats in Lebanese overseas missions and contractuels⁹) and the Ministry of Justice by LL 1 billion. (For further details, kindly refer to table 4)

Table 3. Civilian Salaries and Wages Breakdown by Ministry - Jan-Dec 2018 and Jan-Dec 2019

(LL million)	Jan-Dec 2018	Jan-Dec 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	84,595	93,719	18.2%
Ministry of Justice	80,863	82,004	16.0%
Ministry of Finance	60,444	60,687	11.8%
Presidency of the Council of Ministers	49,743	48,761	9.5%
Parliament	44,333	42,994	8.4%
Ministry of Public Works and Transportation	27,636	28,639	5.6%
Ministry of Public Health	41,753	26,853	5.2%
Ministry of Agriculture	25,684	25,901	5.0%
Ministry of Interior & Municipalities	17,147	17,630	3.4%
Ministry of National Defense	15,387	16,222	3.2%
Other	70,386	70,519	13.7%
Total	517,971	513,929	100%

Source: Ministry of Finance, Directorate General of Finance

Table 4. Change in Salaries and Wages of Civilian Personnel by Ministry – 2018/2019

	Nominal Change (LL million) 2018/2019	Annual Percentage Change 2018/2019
Ministry of Foreign Affairs and Emigrants	9,123	10.78%
Ministry of Justice	1,141	1.41%
Ministry of Public Works and Transportation	1,003	3.63%
Ministry of National Defense	835	5.43%
Ministry of Interior & Municipalities	483	2.82%
Ministry of Finance	243	0.40%
Ministry of Agriculture	217	0.85%
Presidency of the Council of Ministers	-982	-1.97%
Parliament	-1,339	-3.02%
Ministry of Public Health	-14,900	-35.69%
Other	134	0.19%
Overall Change	-4,042	-0.78%

⁸ Due to the disbursement of large retroactive payments to contractuels during Jan-Dec 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 (LL 10.7 billion) coupled with a LL 1 billion of retroactive payments covering the period from 1/1/1999 till 31/08/2017 based on state council decision #606/2016/2017 dated 9/5/2017, in addition to LL 2 billion of retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017.

⁹ With a LL 2.1 billion rise related to the salaries payments for the newly recruited economic attachés.

II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees decreased by LL 184 billion (22.7 percent) to reach LL 627 billion in 2019. This fall was due to a drop in allowances to all military personnel, mainly those disbursed to the Internal Security Forces and the Army dropping by LL 126 billion and LL 51 billion respectively.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Dec 2019 given the significant fall in hospital expenses as well as school allowances by LL 96 billion and LL 13 billion respectively, adding to a LL 10 billion drop in sickness and maternity expenses.

Furthermore, allowances to the Army dropped by LL 51 billion during the covered period due to a year-on-year plunge in several types of allowances, mainly school allowances and hospital expenses by LL 23 billion and LL 15 billion respectively, in addition to a LL 10 billion drop in sickness and maternity expenses.

Moreover, allowances to the General Security Forces dropped by LL 5 billion during the covered period due to a year-on-year drop in hospital expenses by LL 4 billion coupled with a LL 2 billion decrease in school allowances partly counterbalanced by an increase of LL 2 billion in sickness and maternity expenses.

In addition, allowances to the State Security Forces dropped by LL 2 billion mainly as school allowances retracted by LL 2 billion.

II.C. Government subscription and contributions in the Employees Cooperative

Payments to government subscription and contributions to the Employees Cooperative registered a year on year increase of LL 85 billion to reach LL 333 billion in Jan-Dec 2019¹⁰, up by 34.0 percent from a total of LL 249 billion in Jan-Dec 2018.

¹⁰ This increase was registered during the month of December 2019, as total payments to the employees' cooperative were stable at LL 249 billion till end of November 2019.



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